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ABSTRACT

The General Accounting Office (GAO) conducted a study for two purposes: (1) to verify how much it costs the Coast Guard to send a student to the Naval Academy Preparatory School in preparation for the Coast Guard Academy and explain what is included in the cost; and (2) to determine to what extent the school is helping the minority profile at the Coast Guard Academy. Data for the study were gathered from Coast Guard records and through discussion with Coast Guard officials about how the Coast Guard budgets and accounts for the preparatory school program's expenses. The study found that, although the Coast Guard reported that its average cost for sending a cadet to the Naval Academy Preparatory School in the 1993-94 academic year was $20,441, the actual cost was about $15,900. The GAO cost finding was lower than the Coast Guard's because, in its calculations, the Coast Guard did not use accurate pay rates and did not consider student dropout rates. The study also found that the Coast Guard's use of the Naval Academy Preparatory School has improved the minority profile at the Coast Guard Academy, which is the primary purpose of the program. Over the past 10 years, on average, 23 (68 percent) of the 34 students who entered the preparatory school each year were minorities. Of these 23 minority students, on average, 15 (65 percent) went on to the Academy. These 15 students represent 39 percent of the total number of minorities entering the Academy in an average year. (KC)

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United States General Accounting Office

GAO

Report to the Congressional Committees

April 1994

COAST GUARD

Cost for the Naval Academy Preparatory School and Profile of Minority Enrollment

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Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-256484

April 12, 1994

The Honorable Frank R. Lautenberg
Chairman
The Honorable Alfonse M. D'Amato
Ranking Minority Member
Subcommittee on Transportation
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Bob Carr
Chairman
The Honorable Frank R. Wolf
Ranking Minority Member
Subcommittee on Transportation
and Related Agencies
Committee on Appropriations
House of Representatives

Each year the Coast Guard sends approximately 36 students—many of whom are minorities—to the Naval Academy Preparatory School to prepare them for the Coast Guard Academy. Following an April 1993 hearing before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations, the Coast Guard reported that its cost to send a student to the preparatory school is $20,441. This report responds to a request in the House Report accompanying the 1994 Department of Transportation and Related Agencies Appropriations Bill that we (1) verify how much it costs the Coast Guard to send a student to the school and explain what is included in the cost and (2) determine to what extent the school is helping the minority profile at the Coast Guard Academy.

Results in Brief

While the Coast Guard reported that its average cost for sending a Coast Guard cadet to the Naval Academy Preparatory School in the 1993-94 academic year is $20,441, we estimate that the cost is about $15,900. Our cost estimate includes the cadet's pay; expenses for the cadet's food, clothing, and travel; pay for three Coast Guard instructors provided to the school; and other miscellaneous expenses. The Navy does not charge the Coast Guard for the cost of tuition. Our estimate is more than $4,500 lower than the Coast Guard's because, in its calculations, the Coast Guard did

not use accurate pay rates and did not consider student dropout rates. Overall, we estimate the program will cost the Coast Guard about $590,000 for the 1993-94 academic year to send 37 students to the preparatory school.

The Coast Guard's use of the Naval Academy Preparatory School has improved the minority profile at the Coast Guard Academy, which is the primary purpose of the program. Over the past 10 years, on average, 23 (68 percent) of the 34 students who entered the preparatory school each year were minorities. Of these 23 minority students, on average, 15 (65 percent) went on to the Academy. These 15 students represent 39 percent of the total number of minorities entering the Academy in an average year. On average, 5 (33 percent) of the 15 minority students who entered the Academy from the preparatory school graduated from the Academy. The five students represent 31 percent of the average total number of minority students who graduate annually.

Background

The Naval Academy Preparatory School, in Newport, Rhode Island, was established in 1915 to give Navy enlisted men an opportunity to prepare for the Naval Academy. In 1979, the Coast Guard began sending students to the school under an agreement with the Navy. The agreement limits the number of students the Coast Guard can send to the school each year. As part of the agreement, certain costs—such as housing and educational costs, including tuition—are to be borne by the Navy. In turn, the Coast Guard provides three instructors to the school and pays other costs including the pay of Coast Guard cadets. According to the Navy, the total cost per student at the preparatory school exceeds $40,000 per year. At the preparatory school, which has an academic year running for 10 months from late July to mid-May, the academic emphasis is on mathematics, science, English, and information technology.

According to the Coast Guard, the primary reason for sending students to the Naval Academy Preparatory School is to expand the pool of minorities applying to the Coast Guard Academy, in New London, Connecticut.[1] In a letter to the Commanding Officer of the preparatory school, the Director of Admissions for the U.S. Coast Guard Academy stated that the

[1]The Coast Guard defines a minority student as one who is of African, Hispanic, American Indian, Filipino, or Asian descent.

"academic enrichment and military indoctrination of Coast Guard students at . . . [the preparatory school] is critical to the Coast Guard Academy's commitment to and successful enrollment of minority and prior enlisted students."

Students who apply to the Academy are selected using a point system based on a combination of Scholastic Aptitude Test (SAT) scores and high school class rank. Additional points are awarded by the Academy's Cadet Selection Review Board on the basis of the Board's consideration of the students' high school transcripts and participation in extracurricular activities. Certain students, primarily minorities, who apply but are not accepted into the Academy are given the opportunity to attend the Naval Academy Preparatory School and become eligible for admittance into the Academy the following year. At the preparatory school, students are provided with academic assistance, have another year to mature, and receive early exposure to military life. After attending the preparatory school, students who meet the Academy's minimum admission requirements are automatically accepted into the Academy. Preparatory school students are not required to attend the Academy but generally do.

At the time our review began, an act of Congress and an executive order established the level of pay for military academy preparatory school students and Coast Guard Academy cadets. A student at the Naval Academy Preparatory School who did not have prior military service began as an E-1, with monthly pay and allowances of $726.60. Generally, after 6 months these students received a promotion to E-2, with monthly compensation of $880.50. A preparatory school student with prior military service continues to receive his or her pay as an enlisted person. A Coast Guard Academy cadet, however, is paid as a midshipman, at $543.90 per month. With the enactment of the National Defense Authorization Act for Fiscal Year 1994 on November 30, 1993, civilian students entering military academy preparatory schools will be paid at the same rate as a Coast Guard cadet or midshipmen. The Coast Guard estimates that starting with the next academic year, the annual savings from the change will exceed $100,000.

Coast Guard Overestimated Cost of Sending Students to the Preparatory School

While the Coast Guard reported that its average cost to send a Coast Guard cadet to the Naval Academy Preparatory School in the 1993-94 academic year is $20,441, we estimate that the cost is about $15,900. Our estimate is more than $4,500 lower because in its calculations, the Coast Guard did not use accurate pay rates and did not consider student dropout rates.

In estimating the cost for the 1993-94 academic year at $20,441, the Coast Guard included (1) the Standard Personnel Costs[2] for each of an estimated 36 students, (2) the Standard Personnel Costs for the three Coast Guard instructors divided among the 36 students, and (3) the cost of the student's Navy uniforms. The Coast Guard estimated that of the 36 students, 26 would enter the preparatory school as civilians, and 10 students would enter as enlisted personnel. In its estimate, the Coast Guard assumed that the expenses for the civilians would be paid at the E-2 Standard Personnel Rate, $18,200 per year. Nine of the students entering as enlisted personnel would be at the E-3 level, costing $20,434 per year; and one student would be at the E-4 level, costing $23,764 per year. The students' salaries were adjusted to reflect a 10-month school year. In addition, the annual salaries of the three instructors, two Lieutenants and one Chief Petty Officer, were included in the estimate at $152,192, or $4,228 per student, as was the cost for uniforms, at $326 per student.

After discussions with Coast Guard and preparatory school officials about their 1993-94 estimate, we estimated that the cost of sending a student to the school in the 1993-94 academic year is about $15,900. We also determined that the actual cost in the 1992-93 academic year was about $15,700. We found two major differences between our estimates and the Coast Guard's estimate. First, the Coast Guard used too high a base pay rate. A base pay rate for an E-2, $18,200, was used for the full 10-month academic year for the students who entered as civilians, when in reality such students enter the preparatory school at the E-1 level, $17,135. Generally, the students are then promoted to E-2 after 6 months.

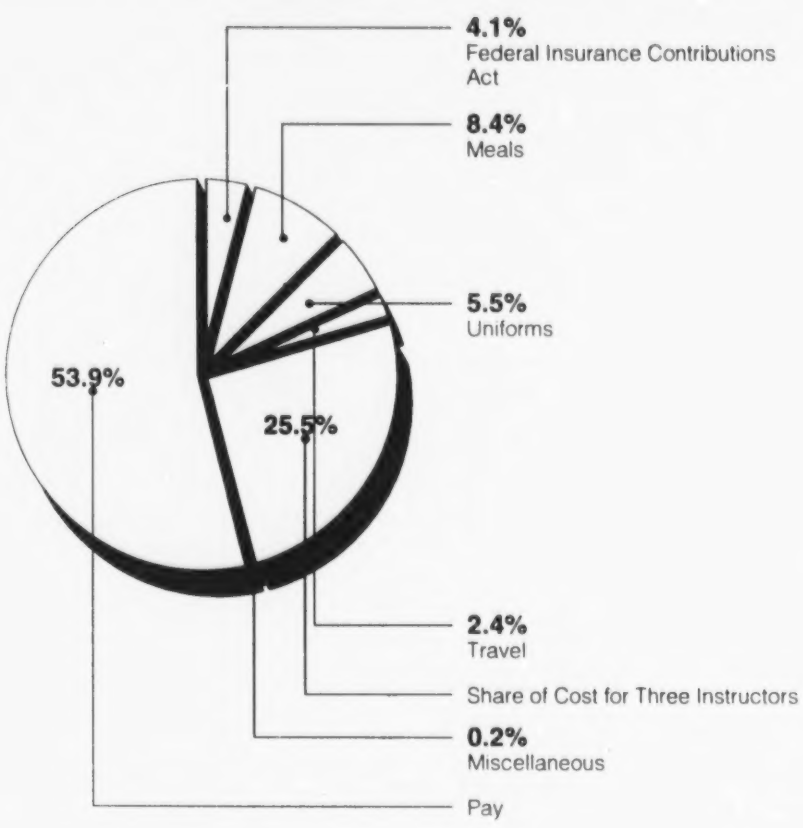
Second, when computing students' pay, the Coast Guard used Standard Personnel Costs, but some of these costs do not apply to Coast Guard students attending the preparatory school and the students are not paid for them. For example, while a student is at the preparatory school, housing—which is a significant portion of Standard Personnel Costs—is paid for by the Navy. According to a 1994 pay chart, the basic allowance for quarters, or BAQ, ranges from $201 to $320 per month for E-2s and $248 to $336 per month for E-3s, depending on their number of dependents. In their paychecks each month, preparatory school students receive their base pay and only a nominal housing allowance, not the BAQ.

In addition, the Coast Guard did not take into consideration the student dropout rate when developing its cost estimate of $20,441. In the

[2]Standard Personnel Costs cover all items to which a member of the Coast Guard could be entitled, including base pay, shipboard pay, travel, meals, housing, and medical services.

preparatory school class of 1992-93, for example, 9 out of the 37 students who attended did not complete the academic year. Therefore, they were not paid for the full 10 months. Over the past 10 years, an average of 15 students, or 44 percent of the total number of students who entered the preparatory school each year, did not graduate. (On average, two of the nongraduates were admitted to the Academy anyway.) Unless a student is an enlisted member of the Coast Guard and goes back to a duty station, pay to the student ends when the student drops out. Figure 1 below shows the distribution of GAO's estimated costs per student during academic year 1993-94.

Figure 1: Distribution of GAO's Estimated Costs Per Preparatory School Student, Academic Year 1993-94



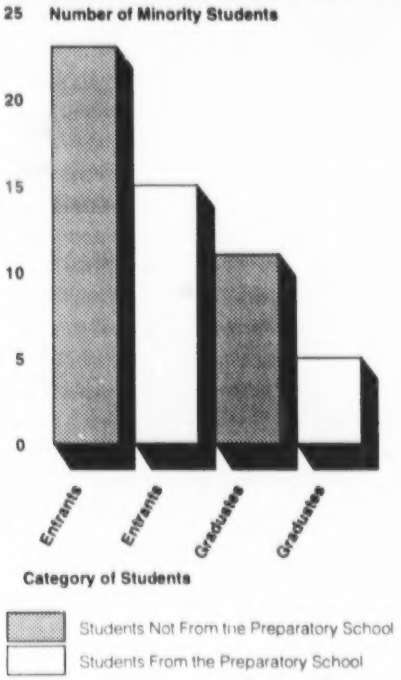
Source: GAO's analysis of data from the Coast Guard.

Appendix I provides more detailed information on how we calculated the per student cost of the preparatory school program.

Coast Guard Academy's Minority Profile Improved by the Preparatory School

Over the past 10 years, an average of 23 minorities have been accepted directly into the Coast Guard Academy each year. Over these same years, an average of 23 minorities who did not qualify for the Academy were admitted into the Navy Academy Preparatory School. Of the 23 minority students who entered the preparatory school, on average, 15 (65 percent) went on to the Academy. These 15 cadets represent 39 percent of the total number of minorities entering the Academy. Of the 15 minority preparatory school students who entered the Academy, on average, 5 (33 percent) graduated. These five graduates represent 31 percent of the total number of minority students graduating from the Academy each year over the past 10 years. (See fig. 2 below.)

Figure 2: Minority Profile at the Coast Guard Academy (Averages Over the Past 10 Years)



Source: Coast Guard

Overall, over the past 10 years, about 59 percent of all students entering the Academy graduated. Appendix II contains more detailed information on the minority profiles at the Naval Academy Preparatory School and the Coast Guard Academy.

Conclusions

The Coast Guard overestimated its costs of sending students to the Naval Academy Preparatory School. Our analysis showed that the actual cost for the 1992-93 academic year was about $15,700, per student, which consisted mostly of a student's pay; expenses for the student's food, clothing, travel; pay for three Coast Guard instructors provided to the preparatory school; and other miscellaneous expenses. We estimate that the cost for the 1993-94 academic year is about $15,900.

The Coast Guard's participation in the preparatory school program has improved the minority profile at the Coast Guard Academy, which is the primary purpose of the program. On average over the past 10 years, 31 percent of the minority students who graduated from the Academy also attended the preparatory school. These students originally did not meet the minimum criteria for acceptance into the Coast Guard Academy but were given a second opportunity to qualify for the Academy after graduating from the preparatory school.

Agency Comments

We discussed the facts contained in this report with the Director of Admissions, U.S. Coast Guard Academy, and with other responsible Coast Guard officials. These officials generally agreed with our analysis, stating that we accurately described the costs to the Coast Guard of sending students to the preparatory school.

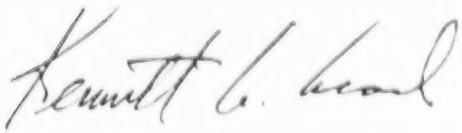
Scope and Methodology

To determine the Coast Guard's cost to send students to the Naval Academy Preparatory School, we asked Coast Guard officials at the preparatory school and the Coast Guard Academy to provide us with records and information on all actual expenses directly attributable to the preparatory school program that the Coast Guard incurred during the 1992-93 academic year. We also obtained pay information for the 37 students who attended the school during the 1992-93 academic year. To estimate the cost in the 1993-94, or current, academic year, we used expense data calculated for 1992-93, since these data were complete, and adjusted them to reflect 1994 pay rates. With Coast Guard headquarters officials, we discussed how the Coast Guard budgets and accounts for the preparatory school program's expenses. (A detailed explanation of the data used to calculate the cost of the preparatory school program appears in app. I.)

To determine the extent to which the Coast Guard's participation in the preparatory school program is improving the minority profile at the Coast Guard Academy, we analyzed and summarized student profile data for the preparatory school and the Academy for the past 10 years. (Detailed information on the student profile at the preparatory school and the Academy for the past 10 years appears in app. II.) We conducted our review from August 1993 to January 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report today to the Secretary of Transportation; the Commandant of the Coast Guard; the Director, Office of Management and Budget; and other interested parties. Copies are available to others upon request.

Please contact me at (202) 512-2834 if you or your staff have any questions. Major contributors to this report are listed in appendix III.



Kenneth M. Mead
Director, Transportation Issues

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Abbreviations

BAQ	basic allowance for quarters
GAO	General Accounting Office
SAT	Scholastic Aptitude Test

The Coast Guard's Cost to Send Students to the Naval Academy Preparatory School, Academic Year 1993-94

Item	Overall cost	Per student cost	Percentage
Pay	$317,700	$8,586	53.9
Federal Insurance Contributions Act	23,913	646	4.1
Uniforms			5.5
Preparatory school uniforms	10,305	279	
Coast Guard seabag	10,201	276	
Clothing maintenance	12,025	325	
Meals			8.4
At the preparatory school	45,448	1,228	
At the Academy	2,683	73	
Other meals	1,449	39	
Travel			2.4
Initial and return	12,400	335	
Field trips	1,646	44	
To the preparatory school	300	8	
SAT preparatory course (9 students)	1,350	36	0.2
Coast Guard instructors for the preparatory school	150,278	4,062	25.5
Total	**$589,690**	**$15,937**	**100.0**

Note: Costs are for 37 students.

Source: GAO's analysis of data from the Coast Guard.

Class Profiles at the Naval Academy Preparatory School and the Coast Guard Academy

	Number of students, by academic class[a]										
	84/88	85/89	86/90	87/91	88/92	89/93	90/94	91/95	92/96	93/97	Average
Students the Coast Guard sends to the preparatory school											
Entered	20	25	30	36	40	38	38	33	40	37	34
Graduated	12	13	16	23	15	22	23	15	29	24	19
Declined appointment to Academy	2	1	2	4	1	3	1	2	1	2	2
Minorities entered	17	18	23	20	21	29	17	23	30	30	23
Percentage of those entering who are minorities	85.0%	72.0%	76.7%	55.6%	52.5%	76.3%	44.7%	69.7%	75.0%	81.2%	69%
Minorities graduated	10	10	12	15	6	16	10	10	22	19	13
Percentage of those graduated who are minorities	83.3%	76.9%	75.0%	65.2%	40.0%	72.7%	47.8%	66.6%	75.9%	79.2%	68%
Preparatory school graduates who go on to the Academy											
Entered	12	16	15	20	17	19	26	20	29	24	20
Graduated	3	9	7	10	9	9	N.A.	N.A.	N.A.	N.A.	8
Minorities entered	11	13	11	12	7	13	12	13	22	18	13
Minorities graduated	2	7	4	7	3	6	N.A.	N.A.	N.A.	N.A.	5
Percentage of those graduated who are minorities	66.6%	77.7%	57.1%	70.0%	33.3%	66.6%	N.A.	N.A.	N.A.	N.A.	62%
Nongraduates from the preparatory school who go on to the Academy											
Entered	1	4	1	1	3	0	4	7	1	2	2
Graduated	1	1	0	0	0	0	N.A.	N.A.	N.A.	N.A.	0
Minorities	1	4	1	0	2	0	2	5	0	1	2
Academy totals											
Applied	6,809	6,531	5,764	5,808	5,826	5,310	4,858	4,559	4,924	5,099	5,549
Entered	291	294	268	343	304	287	313	276	310	277	296
Graduated	158	163	151	204	188	179	N.A.	N.A.	N.A.	N.A.	174
Minorities applied	703	854	791	745	762	725	761	786	822	956	791
Percentage of those applying who are minorities	10.3%	13.1%	13.7%	12.8%	13.1%	13.7%	15.7%	17.2%	16.7%	18.7%	15%
Minorities entered	28	31	23	24	28	34	41	54	53	61	38
Percentage of those entering who are minorities	9.6%	10.5%	8.6%	7.0%	9.2%	11.8%	13.1%	19.6%	17.1%	22.0%	13%
Minorities graduated	11	18	14	14	16	21	N.A.	N.A.	N.A.	N.A.	16
Percentage of those graduated who are minorities	7.0%	11.0%	9.3%	6.9%	8.5%	11.7%	N.A.	N.A.	N.A.	N.A.	9%

Note: "N.A." stands for "not applicable."

[a]In the designations of 4-year spans of academic years, the first year represents the one in which students last attended the preparatory school, and the second, the year in which they graduated or will graduate from the Academy.

Sources: Naval Academy Preparatory School and Coast Guard.

Major Contributors to This Report

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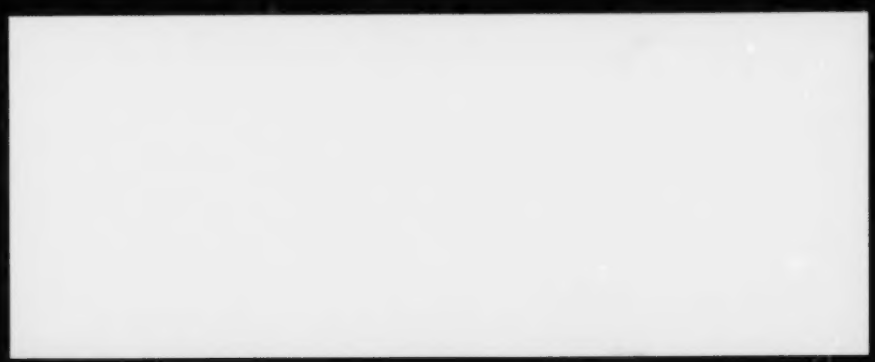

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